

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6227

BILL NUMBER: HB 1156

NOTE PREPARED: Dec 7, 2011

BILL AMENDED:

SUBJECT: Volunteer Firefighter and Police Reserve Tax Deduction.

FIRST AUTHOR: Rep. Battles

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides an individual income tax deduction of up to \$2,000 for income received by an individual for service as a volunteer firefighter or a police reserve officer.

Effective Date: July 1, 2012.

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new deduction. The DOR's current level of resources should be sufficient to implement this change.

Explanation of State Revenues: *Summary* - The bill would reduce state adjusted gross income (AGI) tax liabilities of individual taxpayers who receive income for service provided as a volunteer firefighter or a police reserve officer beginning in tax year 2013. If all volunteer firefighters and police reserve officers claim the maximum allowable deduction, the annual revenue loss could total about \$1.6 M beginning in FY 2014. Revenue from the individual AGI tax is deposited in the state General Fund.

Background Information - The bill provides a deduction from taxable income of the first \$2,000 of income received by an individual taxpayer for service during the year as a volunteer firefighter or police reserve officer. It is estimated that there are approximately 20,000 volunteer firefighters and 3,228 police reserve officers in Indiana. However, the number of volunteer firefighters or police reserve officers receiving income for these services is unknown.

Explanation of Local Expenditures:

Explanation of Local Revenues: Because the deduction will decrease taxable income, counties imposing local option income taxes could potentially experience a decrease in revenue from these taxes. Based on the current average LOIT rate of about 1.4%, LOIT collections on a statewide basis could potentially be reduced by about \$650,000 annually beginning in FY 2014.

State Agencies Affected: DOR.

Local Agencies Affected: Counties with local option income taxes.

Information Sources: Mike Garvey, Indiana Department of Homeland Security, 317-232-3983; Maria Bell, Indiana Law Enforcement Academy; 317-837-3227.

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